

Introduced by Senator Cannella

February 26, 2015

An act to add Sections 17239 and 24356.9 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 537, as introduced, Cannella. Income taxes: deductions: amounts due on real property tax bill.

The Personal Income Tax Law and the Corporation Tax Law authorize various deductions in computing income that is subject to tax under those laws.

This bill would allow a deduction, under both of those laws, of amounts paid by the taxpayer on the taxpayer's real property tax bill. The deduction under the Personal Income Tax Law would be an itemized deduction.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) It is a well-established federal position that a deduction for
- 4 personal property taxes is allowed to the extent the taxes are based
- 5 upon the assessed value of the property, also known as ad valorem
- 6 taxes, under Section 164 of the Internal Revenue Code.

1 (b) It is also a well-established federal position that a deduction
2 for real property taxes is not limited to ad valorem taxes under
3 Section 164 of the Internal Revenue Code.

4 (c) The Internal Revenue Code limits a deduction for personal
5 property taxes to ad valorem taxes, but no such limitation applies
6 to a deduction for real property taxes.

7 (d) It has been concluded that assessments under the Mello-Roos
8 Community Facilities Act of 1982 and certain other special taxes
9 in California are deductible under Section 164 of the Internal
10 Revenue Code even though they are not based upon the assessed
11 value of the property.

12 (e) California law conforms to the federal law described in
13 subdivisions (a) to (d), inclusive, and California taxpayers are
14 currently deducting taxes that are not based upon the assessed
15 value of the property.

16 (f) California is in a unique position with respect to the number
17 of taxpayers subject to assessments under the Mello-Roos
18 Community Facilities Act of 1982 and certain other special taxes,
19 and California taxpayers have a right to protect their current
20 property tax deduction.

21 SEC. 2. Section 17239 is added to the Revenue and Taxation
22 Code, to read:

23 17239. For each taxable year beginning on or after January 1,
24 2015, there shall be allowed as an itemized deduction the amount
25 paid by the taxpayer for the amount due on the taxpayer's real
26 property tax bill, including, but not limited to, real property taxes,
27 personal property taxes, special taxes, special assessments, fees,
28 or other charges.

29 SEC. 3. Section 24356.9 is added to the Revenue and Taxation
30 Code, to read:

31 24356.9. For each taxable year beginning on or after January
32 1, 2015, there shall be allowed as a deduction the amount paid by
33 the taxpayer for the amount due on the taxpayer's real property
34 tax bill, including, but not limited to, real property taxes, personal
35 property taxes, special taxes, special assessments, fees, or other
36 charges.

37 SEC. 4. This act provides for a tax levy within the meaning of
38 Article IV of the Constitution and shall go into immediate effect.

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